

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
NEW ALBANY FLOOD CONTROL DISTRICT
FLOYD COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
05/12/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Secretary	Sally L. Mastrolia	01-01-06 to 12-31-07
	John H. Wilcox	01-01-08 to 02-29-08
	Kelly J. Welsh	03-01-08 to 12-31-08
Treasurer	Darlene McCoy	01-01-06 to 12-31-08
President of the Board	Anthony B. Toran	01-01-06 to 12-31-07
	Matthew B. Denison	01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NEW ALBANY FLOOD
CONTROL DISTRICT, FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of New Albany Flood Control District (District), for the period of January 1, 2006 to December 31, 2007. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

March 3, 2008

NEW ALBANY FLOOD CONTROL DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 383,191	\$ 397,469	\$ 400,229	\$ 380,431
Emergency Flood Control District	100,474	-	-	100,474
Totals	<u>\$ 483,665</u>	<u>\$ 397,469</u>	<u>\$ 400,229</u>	<u>\$ 480,905</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 380,431	\$ 1,176,932	\$ 380,039	\$ 1,177,324
Emergency Flood Control District	100,474	-	-	100,474
Totals	<u>\$ 480,905</u>	<u>\$ 1,176,932</u>	<u>\$ 380,039</u>	<u>\$ 1,277,798</u>

The accompanying notes are an integral part of the financial information.

NEW ALBANY FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board and provides flood control and drainage services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the District on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NEW ALBANY FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were present during our period of examination:

- (1) Tax distributions received in December 2007 were deposited in the District's bank account, but were not recorded in the ledger.
- (2) Interest income from a money market account in the amount of \$20,722 was not recorded in the ledger.
- (3) A disbursement made during 2006 in the amount of \$2,370 was not recorded in the ledger.
- (4) Check numbers 9079 through 9086 dated November 21, 2007, were posted as disbursements on October 23, 2007.

In addition, the financial activity of the District has not been posted to the appropriate financial ledgers for January and February 2008.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decisions making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

RECEIPT ISSUANCE

The information presented for examination indicated instances where receipts were not issued or recorded. These instances consisted of monthly interest earned on a money market account and tax distributions received in December of 2007.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

Several instances were noted where receipts were deposited later than the next business day. These instances ranged from 6 to 43 days.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	<u>\$ 55,208</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

APPROVAL OF CLAIMS

Some disbursements were not officially allowed by the governing board.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter, the claim must be certified by the fiscal officer."

ANNUAL REPORT

Annual Reports (SDAR-1) for the years 2006 and 2007 were not presented for examination.

Indiana Code 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner within thirty (30) days after the close of each fiscal year."

BOARD MINUTES

Minutes of meetings of the governing body for the months of March through May and October through December in 2006, as well as the months of July through December of 2007, were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory of capital assets was taken or that capital assets records were being maintained using General Form 369.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the District had money due from the District, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

EMERGENCY FLOOD CONTROL DISTRICT FUND

The fund balance of the Emergency Flood Control District Fund exceeded \$100,000 for the years 2006 and 2007.

Indiana Code 36-9-29-32 (a) states: "The flood control board may establish an "emergency flood control district fund", which may not exceed at any time one hundred thousand dollars (\$100,000). . . ."

RECORDS OF HOURS WORKED

The Executive Secretary was paid a salary from the New Albany Flood Control District and the City of New Albany. A record of hours worked, showing the actual time worked for each governmental unit, was not presented for examination.

Indiana Code 5-11-9-4(b) states in part: "The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: . . . employed by more than one (1) public agency . . ."

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The New Albany Flood Control District did not comply with the directives of the Internal Revenue Service and the Indiana Department of Revenue in the reporting of taxable wages on Form W-2, for the years 2006 and 2007. Taxable wages reported were the gross wages including the pretax deferments.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORMS

General Form 99B - Employee's Earnings Record, was not completed for the year 2007.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

NEW ALBANY FLOOD CONTROL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2008, with Matthew B. Denison, President of the Board; and Kathlyn M. Garry, Board member.

The contents of this report were also discussed on March 3, 2008, with Kelly J. Welsh, Executive Secretary.